Saskatchewan
Finance

Revenue Division
2350 Albert Street
Regina, Sask.
S4P 4A6

Information Bulletin

PST-5 **Issued: June, 1984** **Revised: January, 2008**

Saskatchewan

THE PROVINCIAL SALES TAX ACT

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax and to assist you in understanding your obligations under *The Provincial Sales Tax Act* and *The Revenue and Financial Services Act*. It is a general guide and not a substitute for the legislation.

Copies of these Acts and Regulations are available free of charge online at www.qp.gov.sk.ca.

Changes to this bulletin are indicated by a bar (|) in the left margin.

The contents of this bulletin are presented under the following sections:

A. General Information
B. Information for Vendors
C. Information for Registered Consumers
D. Corresponding with the Revenue Division

A. GENERAL INFORMATION

What is the Provincial Sales Tax?

The Provincial Sales Tax is a 5% sales tax, which applies to the purchase, importation or rental of most goods and certain services. Goods which are exempt from the tax include food, reading materials, agricultural equipment, prescription drugs and medicine. Information bulletins on these products and other tax matters are available from the Revenue Division upon request or on the Internet at www.finance.gov.sk.ca/taxes.

Definitions

A Vendor is a person, business or organization who sells or rents taxable goods or services to consumers.

A Registered Consumer is a person, business or organization who purchases or rents taxable goods or services for their own use in carrying on a business. When a registered consumer purchases goods or services from a supplier who is licensed to collect the tax, the tax is paid to the supplier. If the goods or services are purchased from a supplier who does not collect the tax (usually a supplier located outside Saskatchewan), the tax must be paid directly to the Revenue Division.

Acid-free Paper

Filing your Tax Return

Vendors and registered consumers are required to register with the Revenue Division and file a tax return on either a monthly, quarterly or annual basis depending on the amount of tax collected or payable. The filing frequency is established as follows:

Filing Frequency	Tax Collected or Payable
Annually	0 to $3,600 per year
Quarterly	$3,600 to $7,200 per year
Monthly	over $7,200 per year

A tax return will be sent to you at the end of each reporting period. Instructions for completing the return are provided on the form. Please read the instructions carefully. An incorrectly completed form may delay the processing of your tax return and payment. If there is no tax to report for the period, you must still file a "NIL" return.

If for some reason you do not receive a tax return, your tax information must still be filed by the due date. Simply prepare a return along the general lines of a previous tax return, deduct your commission and remit the balance. To ensure your tax account is properly credited, please quote your licence number when filing the information.

Returns are due by the 20th day of the month following the end of the reporting period. The completed form must be returned, with your cheque or money order, by the due date shown on the return to avoid the application of penalty and interest.

For your convenience, tax returns may be paid at most chartered banks in Canada or Saskatchewan credit unions. Some banks and credit unions also offer a service that allows you to make your payment using your personal computer or touch-tone telephone. You may make arrangements with your bank or credit union if you wish to use this service.

Returns may also be filed and paid through the Saskatchewan Electronic Tax Service (SETS).

SETS is an electronic tax filing service that allows you to file and pay tax returns and view account information online using the Internet. This service is available to any business required to file returns for any of the following Saskatchewan Ministry of Finance taxes or programs

- Provincial Sales Tax
- Liquor Consumption Tax
- Fuel Tax
- Tobacco Tax
- Beverage Container Program
- Corporation Capital Tax Installment payments

SETS can be used to:

- Complete a tax return and post-date the payment to the due date.
- Make a payment on account for any of the above taxes or programs.
- Post-date payments up to 12 months.
- View tax transactions and account statements online.
- Request that an account statement be mailed.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

Businesses can also authorize a third party service provider (e.g. accounting firm) to file and/or pay on their behalf. Accounting firms must apply for their Third Party ID Number before a business can authorize them to file on their behalf.

SETS information and application forms are available through the Internet at www.finance.gov.sk.ca/taxes/efile, or you may contact Saskatchewan Ministry of Finance toll free at 1-800-667-6102 (787-6645 in Regina).

A tax return form must be completed for each reporting period. If you have no tax to report, please mark your return "nil" and return it for processing.

The Revenue Division will audit the records of businesses on a routine basis. When it is determined that tax has not been properly accounted for, the business is assessed the amount of tax owing plus penalty and interest charges.

Penalties for Failing to Remit the Tax

Penalty and interest charges are applied to taxes that are not remitted by the due date. These charges are necessary to ensure that taxes are collected and remitted on time.

Penalty Applied to Late Returns

A penalty of 10% of the tax payable, to a maximum of $500, is applied to each return period.

Penalty Applied to Audit Assessments (Effective July 1, 2007)

The following penalties apply to audit assessments:

Tax on Sales

- A penalty of 10% of the amount assessed, with no maximum, is applied to audit assessments for sales of taxable goods or services where the tax should have been collected from your customers, but was not.
- A penalty of 25% of the amount assessed, with no maximum, is applied to audit assessments for tax that has been collected from your customers but not remitted.
- A penalty of 100% of the amount assessed, with no maximum, may be applied to audit assessments for tax collected from your customers that wilfully has not been remitted.

Tax on Consumption

- A penalty of 10% of the amount assessed, with no maximum, is applied to audit assessments for goods or services that were taken from inventory or purchased from a supplier who did not charge the tax, where the tax should have been self assessed, but was not.

Interest Charges

Interest at the prime interest rate plus 3% is charged from the date the tax was to have been remitted.

Exempt Sales

Sales of taxable goods and services to the following are exempt from tax:

- Federal government departments and agencies. (NOTE: sales to federal government Crown corporations and provincial government departments, agencies and Crown corporations are **taxable**.)
- Other retailers for resale providing the retailer's vendor's licence number is recorded.
- Residents or non-residents providing the goods and services are shipped or delivered out of the province by the retailer.
- Indians or Indian bands providing the goods are delivered to the reserve by the retailer or the services are performed on the reserve, and the Certificate of Indian Status identification card number or band number is recorded on the invoice.

Freight or Delivery Charges

Freight or delivery charges that are invoiced to a customer for the shipment of a taxable commodity are subject to Provincial Sales Tax if the supply point originates outside Saskatchewan. If the supply point originates in Saskatchewan, the freight or delivery charges are not taxable if the charges are shown separately.

Freight or delivery charges that form part of a rental or lease agreement of taxable commodities are subject to tax regardless of whether the goods were shipped from a supply point inside or outside of Saskatchewan.

B. INFORMATION FOR VENDORS

Your Vendor's Licence

A vendor's licence is issued to all individuals and businesses that make retail sales and are required to collect the Provincial Sales Tax. A vendor's licence number is a seven digit number that starts with a "0", "1", or "2".

If you carry on business at more than one location in the province, you will receive a vendor's licence for each place of business. This licence must be displayed in a location where it is visible to your customers. If you do not have business premises, you must carry your vendor's licence with you while you are conducting business in Saskatchewan. Your licence must be available for inspection on request by your customers or a Revenue Division representative.

A vendor's licence is not transferable. In addition, a vendor's licence does not take the place of a business licence that may be required by your city, town, village, or municipality.

You may be required to post security prior to receiving a vendor's licence.

Vendor Responsibilities

As a vendor under *The Provincial Sales Tax Act* you are required to:

- Quote your vendor's licence number when you buy goods tax free from your suppliers for resale. Remember that a vendor's licence does not allow you to purchase goods that are not for resale without paying the tax.

- Charge the correct amount of tax at the time of sale or rental of taxable goods and services.

- Collect the tax on used assets sold, allowing a $300 exemption per item when the goods (excluding vehicles) are sold to individuals for non-business use.

- Apply the tax to the total selling price of the goods after deducting any early payment discount, trade discounts or volume discounts.

- Show the tax as a separate amount on all sales documents provided to your customers.

- Refund the tax on returned merchandise in instances where the full purchase price is refunded to the customer.

- Remit the tax on credit sales, with your next tax return, whether or not the customer has paid their account in full.

- Pay the tax on goods or services for your own use that were taken from inventory or purchased from a supplier who did not charge you the tax. If they were purchased from an unlicensed supplier located outside Saskatchewan, the tax must be submitted with your return and is based on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties, and importation charges, but not the GST. Self-assessed tax should be reported in box E of the return form.

- Keep complete records of all your business transactions. You must not destroy your records unless you first obtain permission from the Revenue Division. Records that are at least six years old may be destroyed without obtaining permission.

- Remit the tax collected by the due date shown on the return. Corporate directors may be held personally liable for taxes collected but not remitted by a corporation. To avoid liability, the director must demonstrate that he or she took reasonable steps to ensure that the corporation remitted its tax collections.

- Notify the Revenue Division if you discontinue or sell your business, or if there is a change in your business name, business location or mailing address.

Selling or Purchasing a Business

When **selling** your business please ensure that you:

- Provide the Revenue Division with the name of the new owner and the effective date of the sale.

- File a final tax return, within 15 days of your last day of business, for all taxes owing by the business and return your vendor's licence for cancellation.

- Obtain a certificate, in duplicate, from the Revenue Division confirming that all taxes have been paid. The duplicate copy should be provided to the purchaser of your business.

When **purchasing** an established business please ensure that you:

- Apply for a vendor's licence. You may obtain an application from the Revenue Division or request that a licence be issued by calling the telephone number listed in this bulletin.

- Report and remit tax to Saskatchewan Ministry of Finance on the purchase of any new and used assets acquired.

- Obtain a certificate, issued by the Revenue Division, confirming that all taxes collected by the seller have been paid. If you fail to obtain this certificate, you may be held liable for all taxes collected and not remitted by the seller.

Showing the Tax on your Sales Receipts

Vendors who show the GST separately on their receipts or invoices must apply the Provincial Sales Tax on the selling price before calculating the GST.

Vendors who sell items on a GST included basis, must calculate the Provincial Sales Tax using a rate of 4.76%. The 4.76% rate applied to a price that includes the GST, is equivalent to a 5% rate applied to an item, which does not include the GST. The sales receipt to the customer must show the Provincial Sales Tax rate at 5% and not 4.76%.

Vendors may collect tax at a combined rate of 10% (5% Provincial Sales Tax plus 5% GST) providing the cash register receipt, sales invoice or other sales document provided to the customer clearly indicates that the 10% rate is made up of 5% Provincial Sales Tax plus 5% GST. Your records must show that the correct amounts of Provincial Sales Tax and the GST have been collected.

Commission

As a vendor, you are entitled to a commission, to a maximum of $1,800 in each calendar year, based on the amount of tax collected in each reporting period. The amount of commission you may claim on each return is based on how often you file your returns and is calculated as follows:

Monthly - 10% of the first $250 of tax collected and 1% of the balance

Quarterly - 10% of the first $750 of tax collected and 1% of the balance

Annual- 10% of the first $3,000 of tax collected and 1% of the balance

Please deduct your commission from the tax to be remitted with your return.

Commission is not allowed if your tax return is filed late or if it is filed without a payment. Commission is not allowed on tax that is self-assessed on goods or services acquired for your own use.

Tax Credit on Bad Debts

Vendors may claim a credit for the tax portion of their receivables that are written off as uncollectible. The tax credit should be taken as an internal adjustment in your records. Details of the accounts written off must be kept for audit verification by the Revenue Division.

C. INFORMATION FOR REGISTERED CONSUMERS

Your Registered Consumer Permit Number

A registered consumer permit number is issued to businesses and organizations that do not make retail sales but do purchase taxable goods or services for their own use. This number cannot be used to purchase goods without paying the tax and is not a licence to collect the tax. A registered consumer permit number is a seven digit number that starts with a "5".

Registered Consumer Responsibilities

As a registered consumer under *The Provincial Sales Tax Act* you are required to:

- Pay the tax to your supplier when taxable goods and services are purchased from a supplier that is licenced to collect the tax.
- Pay the tax directly to the Revenue Division when assets are purchased from a business ceasing operation.
- Pay the tax directly to the Revenue Division, when taxable goods and services are purchased from a supplier who does not collect the tax (usually a supplier located outside Saskatchewan).
- Calculate the tax on the total cost of taxable goods and services, excluding the GST. Transportation costs, custom duties, foreign exchange and any other importation costs are all considered part of the cost of the goods and must be included when calculating the tax on goods purchased outside Saskatchewan.
- Collect the tax on used goods sold, allowing a $300 exemption per item when the goods (excluding vehicles) are sold to individuals for non-business use. If you sell a company vehicle, you must collect tax on the full selling price from all customers.
- Notify the Revenue Division if you discontinue or sell your business, or if there is a change in your business name, business location or mailing address.
- File tax returns by the due date shown on your return. If you have no tax to report, you must still file a "nil" return.
- Keep complete records of all transactions and documents related to the purchase of goods.

D. CORRESPONDING WITH THE REVENUE DIVISION

When corresponding with Revenue Division, please quote your vendor's licence or registered consumer permit number. This helps to ensure that your tax account is updated correctly.

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

http://www.finance.gov.sk.ca/taxes/pst

To receive automatic e-mail notification when this (or any other) bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the "What's New" information then click on the "subscribe" button.